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August 9, 2002

EX PARTE

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
The Portals
445 12th St. SW
Washington, D.C. 20554

Re: WC Docket 02-150

Dear Ms. Dortch:

On August 8, 2002, the following persons representing BellSouth participated in a conference call with Josh Swift and Monica Desai of the Wireline Competition Bureau to respond to questions in connection with the above-referenced proceeding: Cindy Cox, Gerry Gardner and Glenn Reynolds. During that call, the staff requested clarification of certain pricing issues raised by commenters in this proceeding. The following information responds to those requests.

Modeling Scenarios

As explained in the affidavits of Daonne Caldwell, a multiple scenario approach is an appropriate modeling technique, required to accurately capture the costs associated with BellSouth's different loop types – Service Level 1, Service Level 2, ISDN, ADSL, HDSL, UCL-Short, UCL- Long, UCL-ND, UNE-P, etc. See ¶96 (direct), ¶11-15 (reply). Why use multiple scenarios instead of just one scenario for all unbundled loops? There were two main reasons for using multiple scenarios in the BSTLM studies conducted by BellSouth. First, insufficient demand for many types of unbundled loops precluded BellSouth from using existing UNE customer locations as the basis for cost studies of unbundled loops. Using only existing UNE customer locations would have resulted in costs that were not representative of future UNE customer locations. Furthermore, BellSouth does not possess the CLECs' marketing plans that would allow an

accurate projection of loop types by customer location; any such attempt would be arbitrary and ultimately futile since such plans are constantly changing. Additionally, there are many types of unbundled loops offered by BellSouth that are not presently ordered in many wire centers. So, using only existing UNE locations would not have produced costs for all loop types for all of the wire centers and thus, the deaveraged costs would have been skewed.

Second, loop deployment guidelines are inconsistent with the network from which CLECs order UNEs. For example, network guidelines (and the BSTLM) state that all loops greater than 12,000 feet from the central office can be most efficiently served using fiber feeder and digital loop carrier (DLC) systems. But, in reality, a CLEC may order an unbundled copper loop of any length -- and BellSouth has very long copper loops (much greater than 12,000 feet) in its network today. This created an inconsistency between what a CLEC might order as a copper loop and would have been modeled if only one scenario was used. A copper loop greater than 12,000 feet ordered by a CLEC would never be reflected in a cost study that assumed that no copper loop exceeded 12,000 feet; resulting in an understatement of unbundled copper loop costs/rates.

To overcome these problems, BellSouth created 5 scenarios – each of which contains the same total demand (number of loops, customer locations, etc.) – to accurately capture the costs of all types of unbundled loops offered by BellSouth.

Scenario #1 – Used for 2-wire analog UNE-P loops –
This scenario is really the base from which all other scenarios are generated. It assumes that all switched UNE-P loops served on DLC systems are directly integrated into the BellSouth switch at the DS1 level since these loops are only offered in conjunction with a corresponding switch port. Rather than only using "existing customer locations with UNE-P loops" as the cost basis for the rates for these UNEs, all POTS, PBX, Centrex and Coin services are assumed to be potential UNE-P customers and the cost study results reflect the average cost of serving all of these locations.

Scenario #2 – Used for all stand-alone UNE loops except copper loops and ISDN loops –
This scenario is required to determine the cost of stand-alone loops (those not terminating in a BellSouth switch) except stand-alone ISDN loops and copper-only loops. It is identical to the first scenario except stand-alone loops cannot be directly integrated into the BellSouth switch and must be brought into the central office on a non-integrated basis. Again, all POTS, PBX and Centrex and Coin customer locations are used as the basis for this cost. The only difference in this scenario and the first occurs in the termination of the loops in the central office.

Scenario #3 – Used for copper-only loops –
This scenario for copper loops is required so that the cost study reflects the cost of providing a copper loop of any length that the CLEC might order from

BellSouth. Without this scenario, unbundled copper loop costs would be based only on loops less than 12,000 feet from the central office. However, BellSouth has copper loops that the CLECs may request that are much longer than 12,000 feet. As a result of this mismatch between what the CLECs may order and what is considered in BellSouth's network guidelines, this scenario was created by extending the copper-to-fiber crossover from 12,000 feet to a point where all loops are assumed to be provisioned over copper. The alternative would be to base the unbundled copper loop costs on loops less than 12,000 feet, and then restrict the offering to loops less than 12,000 feet. This would have restricted CLECs from a large number of potential unbundled copper loop customers.

Scenario #4 – Used for ISDN stand-alone unbundled loops –
Initially, BellSouth based ISDN unbundled loop costs on existing ISDN customer locations. However, some BellSouth wire centers have few, if any, existing ISDN customers. Developing wire center specific costs based on such limited demand for ISDN unbundled loops would not have been appropriate. Therefore, BellSouth assumed that all POTS customer locations were potential ISDN unbundled loop customers and based the costs for these unbundled loops on all ISDN and POTS locations. To do this, all POTS customers were "converted" to ISDN by using an ISDN card rather than a POTS card in the cost model.

Scenario #5 – Used for ISDN UNE-P loops (in conjunction with a switch port) –
Similar to Scenario #4, the UNE-P scenario for the 2-wire analog UNE-P loop (Scenario #1) was modified by replacing the POTS card at the DLC with an ISDN card to get an ISDN UNE-P loop based on all POTS and ISDN customer locations.

In summary, all five scenarios described above use the same total demand from BellSouth's billing systems' extracts such that all economies of scale and scope are reflected in all scenarios. In fact, because the scenarios are often based on an "all or none" type network some false economies of scale are actually introduced into the cost results. For example, in Scenario #2 used for stand-alone UNEs, the model assumes that all POTS, Centrex, PBX and Coin lines have converted to stand-alone UNEs. This means that all of these lines are served using a central office DLC terminal ("COT") required for non-integrated loops. As a result, the central office terminal's utilization is much higher than would actually be experienced. In reality, those POTS, Centrex and PBX loops that do not convert to UNEs can be provisioned via integrated DLC directly terminating in the BellSouth switch and only those loops that convert to UNEs would be terminated in the central office terminal (COT). Thus, the COT's utilization would be actually be lower than that used in the cost study. The result would be a higher per unit costs for the unbundled loops than reflected in the cost study.

Similarly, the copper-only scenario (Scenario #3) produces false economies of scale since all loops are served on copper (resulting in larger copper cables and lower per unit costs) than would result from some mix of copper and fiber cables.

Nonetheless, WorldCom appears to imply that the use of a 1M feet limit in BellSouth's Copper Scenario "contaminates" the costs developed for all copper-only loop types. WorldCom is simply mistaken. First, as noted previously, this method results in false economies and thus reduces costs. In fact, BellSouth has run a "what-if" scenario in which the copper length was limited to 24,000 feet instead of the 1M feet limit BellSouth used. The output reflected an increase in cost for the ADSL, HDSL, UCL-ND, and UCL-Short loops over BellSouth's study based on a 1M feet limit; supporting the contention that false economies of scale are obtained from BellSouth's multiple scenarios methodology. Second, this is the only method that would capture copper loops in excess of 12,000 feet. Finally, it is apparent that WorldCom does not fully understand how the BSTLM develops the costs associated with the specific loop types. Even though the copper limit is set at 1M feet in BellSouth's BSTLM cooper-only scenario, the individual loop types have specific length limits that are taken into consideration when developing costs. For example, the UCL-Short loop does not exceed 18,000 feet, the UCL-ND does not exceed 24,000 feet, and the HDSL-compatible loop does not exceed 12,000 feet. In other words, from the entire universe of cooper loops, only loops that meet these length limitations are considered when the costs are calculated and there is no "contamination" of costs from loops in excess of these limitations, other than the false economies of scale mentioned above. Exhibit DDC-3 (direct) displays the length limitations for the specific loop types (Column H). In sum, any "bias" created through the use of multiple scenarios is toward lower costs—not higher as asserted by Worldcom.

While Worldcom previously said it was making a new argument not addressed by the Commission's order approving BellSouth's application for 271 approval in Georgia and Louisiana, Worldcom now apparently admits that its argument is exactly the one rejected by the Commission in that order. But the Commission got it exactly right in the Georgia/Louisana order—as did the seven states in BellSouth's region that have previously rejected this same argument in approving the use of multiple scenarios.

DUFs

The staff requested support for the statement at paragraph 51 of Caldwell's Reply Affidavit Caldwell, where she asserts that SOP 98-01 "has been accepted by this Commission." Ms Caldwell was referring to the Commission's order in *In the Matter of 1998 Bienniel Regulatory Review—Review of Accounting and Cost Allocation Requirements*, CC Dkt 98-81, FCC 99-106 at para. 47 (June 30, 1999).

After Hour Cuts

The staff requested a copy of the carrier notification referenced in the Ruscilli/Cox Reply Affidavit at paragraph 42 notifying CLECs that BellSouth would begin to provide "after hour coordinated cuts" beginning July 17, 2002. A copy of that notification is attached to this ex parte. As explained in that affidavit, notwithstanding this notification BellSouth has not charged any carrier and will not charge for any after hours coordinated cuts performed so far.

In accordance with Commission rules, I am filing copies of this notice and attachment and request that they be included in the record of the proceeding identified above.

Sincerely,

Glenn T. Reynolds

cc: Tamara Preiss
Josh Swift
Monica Desai
Susan Pie
James Davis-Smith (Department of Justice)

BellSouth Interconnection Services
675 West Peachtree Street
Atlanta, Georgia 30375

Carrier Notification
SN91083141

Date: June 17, 2002

To: Competitive Local Exchange Carriers (CLECs)

Subject: CLECs - BellSouth Project Management Coordination for After Hours Cut

Beginning July 17, 2002, BellSouth will only provide Project Management Coordination for After Hours Cut on a fee-centered basis. Presently, BellSouth has not been charging for project management after regular business hours and can no longer support such service without a charge. For all projects or cuts scheduled during the posted work hours for the Local Carrier Service Centers (LCSC), a Project Manager will be made available at no additional cost. The hours for Project Management are covered under the same guidelines as those for the LCSCs and are posted at the BellSouth Interconnection Services' Web site located at:

www.interconnection.bellsouth.com/centers/html/lcsc.html.

When this service is requested, a Project Manager will be dedicated solely to the CLEC during the term of the cut. The fee for this service will be $300 for the first hour, with a maximum of $600 for 3 hours of service. In addition to the fee for the Project Manager, pursuant to your company's Interconnection Agreement, all other charges will continue to apply, such as overtime charges for service representatives and/or service technicians. In order to take advantage of this service, CLECs must designate a person who can support the After Hours Cut to work with BellSouth.

If your company is interested in participating and would like to receive the detailed requirements, please contact your Project Manager.

Sincerely,

ORIGINAL SIGNED BY MATEO CAYMOL FOR JIM BRINKLEY

Jim Brinkley – Senior Director
BellSouth Interconnection Services